

## **Section 8 Homeownership Option**

## **A. INTRODUCTION**

Under the Section 8 homeownership option, a public housing agency may provide tenant-based assistance to an eligible family that purchases a dwelling unit that will be occupied by the family. The OCHA has initiated a pilot program to explore the feasibility of utilizing Housing Choice Vouchers for homeownership opportunities, as allowed under HUD regulations. This program option is described below and will only be available if the OCHA is successful in obtaining technical assistance from a nonprofit or other partner organization(s) that will provide homeownership counseling, lender coordination or other required program components and if OCHA can determine the financing for the program is feasible considering Orange County's housing market. If the OCHA is successful in designing its homeownership option, participation will be limited to current OCHA participants or new Housing Choice Voucher holders, who meet the necessary criteria for income and/or down payments as required by lenders and the program guidelines. Eligible properties must be realistic for potential purchase through this program and located in the OCHA's jurisdiction.

The U.S. Department of Housing and Urban Development (HUD) specifies general requirements for the program, and requires the public housing agency (PHA) to address specific local policies in its Administrative Plan. An overview of the general requirements and OCHA's local policies are described below.

## **B. GENERAL REQUIREMENTS**

### **Overview:**

The Homeownership Option is used to assist a family residing in a home purchased and owned by one or more members of the family.

1. A family assisted under the Homeownership Option may be a newly admitted or existing participant in the Housing Choice Voucher Program.
2. A live-in aide must be approved, if needed, as a reasonable accommodation.
3. A minimum homeowner contribution is required that equals at least three percent of the total cost of the home for participation in the Section 8 Homeownership Program, and at least one percent of the homeowner contribution must come from the family's personal resources.
4. Financing for purchase of a home under the Section 8 Homeownership Program must comply with generally accepted private sector underwriting standards.

### **Initial Requirements:**

The OCHA must determine that the family satisfies all of the initial requirements at commencement of homeownership assistance for the family as described below:

1. The family is qualified to receive homeownership assistance if: (1) The family has been admitted to the Housing Choice Voucher Program; (2) The family satisfies any first-time homeowner requirements (which includes status as a first-time homeowner, a cooperative member, or a family with disabilities, as defined in the HUD regulations); (3) The family satisfies the minimum income requirement stated in the HUD regulations; (4) The family satisfies the employment requirements (not applicable to an elderly or disabled family – a family with a disabled person may receive an exemption if needed as a reasonable accommodation); (5) The family has not defaulted on a mortgage securing debt to purchase a home under the Homeownership Option; (6) Except for cooperative members, no family member has a present ownership interest in a residence at the commencement of homeownership assistance for the purchase of any home; (7) Except for cooperative members, the family has entered a contract of sale in accordance with the

- HUD regulations; (8) The family also satisfies any other initial requirements established by the OCHA in the Administrative Plan.
2. The unit is eligible if: (1) The unit is occupied by its owner or by a person with any interest in the unit; (2) The unit was either under construction or already existing at the time the family enters into the contract of sale; (3) The unit is either a one unit property (including a manufactured home) or a single dwelling unit in a cooperative or condominium; (4) The unit has been inspected by a PHA inspector and by an independent inspector selected by and paid by the family; and (5) The unit satisfies Housing Quality Standards (HQS).
  3. The family has satisfactorily completed the PHA program of required pre-assistance homeownership counseling: (1) Before commencement of homeownership assistance for a family, the family must attend and satisfactorily complete the pre-assistance homeownership and housing counseling program required by the PHA; (2) The PHA should ensure that its counseling program is consistent with the homeownership counseling provided under HUD's Housing Counseling Program; (3) The PHA may adapt the subjects covered in pre-assistance counseling to local circumstances and the needs of individual families.
  4. Before commencement of homeownership assistance, a member or members of the family must enter into a contract of sale with the seller of the unit to be acquired by the family: (1) The family must give the PHA a copy of the contract of sale; (2) Contents of the contract of sale are specified in the HUD regulations; and (3) The contract of sale contains a certification from the seller that the seller has not been debarred, suspended, or subject to limited denial of participation under HUD programs.

#### **C. OCHA LOCAL POLICIES**

##### **Additional OCHA Requirements for Participation in the Section 8 Homeownership Program:**

1. A Voucher Holder must be in good standing with the OCHA to participate in the Section 8 Homeownership Program.
2. Interest in applying for the Section 8 Homeownership Program by a newly admitted or existing participant in the Section 8 Voucher Program should be submitted in writing to the designated staff person in the Special Housing Programs Section.

##### **Maximum Time to Locate and Purchase a Home:**

1. Newly admitted Voucher Holder: Maximum time allowed is 6 months from OCHA's acceptance of an application for the Section 8 Homeownership Program until entering into a contract of sale with the seller of the unit to be acquired by the family. Since this is a pilot program, written requests for an extension may be submitted, reviewed, and considered on a case-by-case basis. An applicant unable to purchase within the maximum time granted will be issued a Voucher to lease a unit and will have 60 days to submit a Request for Tenancy Approval.
2. Existing Participant in the Housing Choice Voucher Program: Maximum time allowed is 12 months from the OCHA's acceptance of an application for the Section 8 Homeownership Program until entering into a contract of sale with the seller of the unit to be acquired by the family.

##### **Financing Purchase of Home and Affordability of Purchase:**

1. A minimum homeowner contribution is at least three percent of the total cost of the home for participation in the Section 8 Homeownership Program. Additionally, at least one percent of the homeowner contribution must come from the family's personal resources.

2. Financing for purchase of a home under the Section 8 Homeownership Program must comply with generally accepted private sector underwriting standards.

**Additional OCHA Requirements for Continuation of Homeownership Assistance for the Family:**

1. Occupancy of home: Homeownership assistance may only be paid while the family is residing in the home. If the family moves out of the home, the OCHA may not continue homeownership assistance after the month when the family moves out. The family or lender is not required to refund to the OCHA the homeownership assistance for the month when the family moves out.
2. Family obligations: (1) Compliance with mortgage. (2) Prohibition against conveyance or transfer of home as long as the family is receiving homeownership assistance. (3) The family may grant a mortgage on the home for debt incurred to finance purchase of the home or any refinancing of such debt. (4) Upon death of a family member who holds, in whole or in part, title to the home or ownership of cooperative membership shares for the home, homeownership assistance may continue pending settlement of the decedent's estate, notwithstanding transfer of title by operation of law to the decedent's executor or legal representative, as long as the home is solely occupied by remaining family members. (5) Supplying required information, including : (a) any mortgage or other debt incurred to purchase the home, any refinancing of such debt ( including information needed to determine whether the family has defaulted on the debt, and the nature of any such default); (b) any sale or other transfer of any interest in the home; or (c) the family's homeownership expenses. (6) Notice of move-out. (7) Notice of mortgage default. (8) Prohibition on ownership interest on second residence: during the time the family receives homeownership assistance under this program, no family member may have any ownership interest in any other residential property; (9) Additional OCHA requirement: the family must allow the OCHA to inspect the unit at reasonable times and after reasonable notice; (10) Other family obligations: the family must comply with the obligations of a participant family, except for the lease-related provisions which do not apply under the homeownership option.

**Determination of Homeownership Expenses:**

1. Amount of monthly homeownership assistance payment: (1) The PHA must use the same payment standard schedule, payment standard amounts, and subsidy standards for the homeownership option as for the rental voucher program. (2) Homeownership expenses for a homeowner (other than a cooperative member) may only include amounts allowed by the OCHA to cover the entire costs calculated on a monthly basis for the ownership of the proposed residential unit; these costs are generally shown as principal and interest amortizing all outstanding debts, real estate taxes, mortgage and home insurance, and any other recurring fees.
2. Maximum term of homeownership assistance: (1) Except in the case of a family that qualifies as an elderly or disabled family, family members shall not receive homeownership assistance for more than (a) fifteen years, if the initial mortgage incurred to finance purchase of the home has a term of 20 years or longer; or (b) ten years, in all other cases. (2) The maximum term of assistance does not apply to elderly and disabled families. The HUD regulations delineate specific criteria for applicability of the maximum term of assistance for various family members.

**OCHA Policy for Payment of Homeownership Assistance Payments to the Lender on Behalf of the Family:**

1. Payment to the Lender: The OCHA will pay homeownership assistance payments to a lender on behalf of the family. The lending institution will maintain an escrow balance for all costs outside of principal and interest. It is expected that the full amount of the payment will be due to the lender, and there will not be any excess amount to be paid directly to the family.
2. Administrative fees: The ongoing administrative fee is paid to the OCHA for each month that homeownership assistance is paid by the OCHA on behalf of the family.

**Move with Continued Tenant-based Assistance:**

1. Move to new unit: (1) The family may move either with voucher rental assistance (in accordance with rental assistance program requirements) or with voucher homeownership assistance (in accordance with homeownership option program requirements). (2) The OCHA policy prohibits more than one move by the family during any one-year period. (3) HUD regulations specify requirements for continuation of homeownership assistance and grounds for termination or denial of assistance.
2. Portability: (1) A family determined eligible for homeownership assistance by the initial PHA may purchase a unit outside of the initial PHA's jurisdiction, if the receiving PHA is administering a voucher homeownership program and is accepting new homeownership families. (2) In general, the portability procedures apply to the homeownership option and the administrative responsibilities of the initial and receiving PHA are not altered except that some administrative functions (e.g., issuance of a voucher or execution of a tenancy addendum) do not apply to the homeownership option.

